Industry Canada Industrie Canada

Sector Competitiveness Frameworks
Architecture Highlights

Industry Sector Service Industries and Capital Projects — Secteur de l'industrie Secteur des services et grands projets

Canada

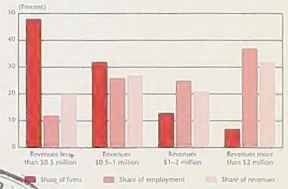
HIGHLIGHTS

Architects are primarily involved in the design of buildings and sites for public rather than industrial uses. Their services range from the design of furniture to buildings, and may include urban design, project management and town planning. The employment of architects is required by law for the design and construction of multi-unit residential buildings and buildings housing public gatherings for commercial, institutional or cultural purposes.

- Many architects are employed by major corporations, utilities, institutions and governments. Large construction companies and facilities management firms also employ persons with architectural training. Corporate architects who have maintained their licences are included in the count of total architects, but their activities do not contribute to the measured output of the architecture industry.

- Architecture is organized professionally at both the provincial and national levels. Provincial architectural associations control the licensing of individuals and practices. The national association provides a framework for the development and recognition of architectural excellence.
- Membership in the provincial associations is mandatory for persons providing architectural services to the public. Membership in the national association is voluntary.
- Most of the approximately 3 500 firms or practices that constitute the Canadian architectural industry are small firms, typically employing two to three people.

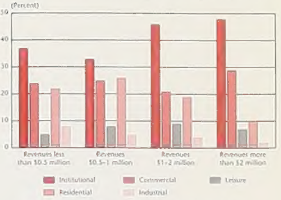
Distribution of Architectural Firms, Employment and Revenues, by Firm Size, 1994



Source: Statistics Canada, *Architectural, Engineering and Scientific Services in Canada*, Catalogue No. 63-234-XPB.

- Electronic preparation of project drawings and specifications allows designs to be prepared more quickly and with fewer personnel. The biggest productivity gains have been achieved as a result of the increased ability of architects to quickly modify drawings, duplicate sketches, select and duplicate detailed areas of drawings, and instantly rescale drawings.
- Total revenues for the industry measured in current dollars for 1995 were $898.9 million. Of this amount, only $16.8 million was derived from exports of architectural services.
- Architecture is a knowledge-based profession, and its practitioners are its main assets. The development of human capital is one of the most important issues an architectural practice must address.
- In terms of architectural market segments based on revenue generated, the institutional market (government buildings, schools and other public buildings) is most important nationally, followed by the commercial market (hotels, restaurants, office buildings, retail stores). The third most important market segment is the residential market (mostly multi-unit buildings).

Importance of Market Segments, by Size, 1995



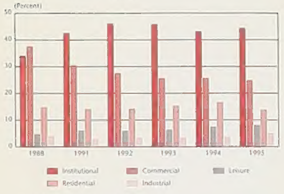
Source: Statistics Canada, *Architectural, Engineering and Scientific Services in Canada*, Catalogue No. 63-234-XPB.

- There are significant regional differences. Architects in British Columbia currently generate a significantly higher proportion of revenue from the residential market than do architects in other provinces.

MAJOR TRENDS

- Over the 1990s, the general industry trend in revenues has been declining fees. The weakness in the architectural market has mirrored the general weakness in construction activity. During 1991–94, constant-dollar architectural revenues declined at an annual rate of 4 percent.

Revenues, by Type of Construction



Note: Data not available for 1989 and 1990.

Source: Statistics Canada, *Architectural, Engineering and Scientific Services in Canada*, Catalogue No. 63-234-XPB.

- British Columbia was the exception, with a growth in real fee revenues of 9.7 percent per year over the 1991–94 period. In Ontario, Quebec, the Prairies and the Atlantic region, real revenues declined substantially over the same period.
- Data from 1995 suggest the architectural industry may finally be recovering from the downturn resulting largely from the prolonged impact of the 1990–91 recession on construction. Real fee income increased by 7.4 percent in 1995, while profit margins rose to 12.5 percent.

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Sector Competitiveness Frameworks are a new series of documents produced by Industry Canada in collaboration with Canada's key industry stakeholders. Each framework will examine a major Canadian industry sector, and will be prepared in two volumes. *Part 1 — Overview and Prospects* focusses on the opportunities, both domestic and international, as well as on the challenges facing industry sectors in Canada. *Part 2 — Framework for Action* will be based on discussions with major industrial stakeholders, following study and review of the *Overview and Prospects*.

The objective of the **Sector Competitiveness Frameworks** series is to seek ways in which government and private industry together can strengthen Canada's competitiveness and, in doing so, generate jobs and growth.

In all, some 30 industrial sectors will be analyzed. Electronic copies of documents in the series are available on the Internet at the following address: http://strategis.ic.gc.ca/scf

- In the western provinces and Ontario, architects are looking forward to the increased demands likely to be generated by population growth from immigration and several major new developments planned in coming years. Over the next few years, architects in all parts of the country should benefit from improved economic conditions, pent-up demand and the elimination of unused commercial space. Because of the expected rebound in market demand, the short-term outlook is favourable.

- The architectural industry largely focusses on domestic markets, and most firms concentrate on specific regional markets. Many firms are also active abroad.

- International trade agreements covering architecture, such as the provisions in the North American Free Trade Agreement (NAFTA), implemented in 1994, have facilitated exports, but they do not completely open the door for architects hoping to practise in foreign jurisdictions. While these agreements allow architects to qualify for a foreign licence, there are still local requirements that must be met before an architect can practise abroad. To penetrate foreign markets, architects must become knowledgeable about local building codes, the implications of different climatic conditions, and the impact of cultural differences on building needs and design preferences.

- Canadian architects are recognized abroad for their expertise in the design of commercial, entertainment and office complexes as well as institutional buildings such as hospitals, educational facilities, museums and airports. They are also noted for their experience with wood frame structures and engineered wood products as well as their knowledge about construction for cold climates. Through strategic alliances, architectural firms could better position themselves to pursue market opportunities in these and related areas.

- The federal government recently established the Construction Architectural and Engineering Services (CAES) National Sector Team (NST) to better coordinate federal and provincial programs and ensure that government resources are targeted to supporting the international business development interests of CAES firms. The NST pools expertise from federal and provincial governments, industry associations and private sector companies with a view to developing an international strategy for the CAES sector. The international business strategy for the CAES sector can be found on Industry Canada's web site *Strategis* (**http://strategis.ic.gc.ca/sc_mrkti/ibin/engdoc/1d1p.html**). The strategy contains a chapter on architectural services.

THE BOTTOM LINE

- Over the long term, the outlook is for moderate growth in the demand for architectural services. In the future, architectural work is likely to shift toward an increase in the number and combination of mixed-use buildings (e.g. office or institutional/residential buildings) and the adaptive reuse of existing facilities to serve new requirements. Architects will also have to respond to the demand that facilities meet increasingly stringent environmental and sustainable development criteria.

- Most architectural firms are independent of other segments of the engineering and construction industry. This can limit their scope of activities, and constrain their ability to participate in new forms of project delivery that involve the provision of an integrated package of design, engineering, financing and project management services. While many Canadian firms have adopted new computerization and telecommunications technologies, weak demand and downward pressure on fees have made it more difficult for architectural firms to undertake investments, including important investment in human capital development.

- Architectural firms by nature are innovative, but they do not have the incentive to invest significantly in research. Returns on research are limited because architectural innovations that are not specific to the needs of individual clients tend to diffuse quickly through the building sector.

- In an atmosphere of slower growth, the majority of opportunities for architects are found in renovation and adaptive reuse projects. As building densities are increased in urban areas, projects become more complex, and there will be a need for greater architectural input. Increasingly, architects will be required to shift their focus from expanding the quantity to helping improve the quality of the nation's building stock.

- Professional associations can become more proactive in promoting the role of architects within Canada. As well, efforts should be devoted to removing the remaining regulatory impediments to interprovincial trade in architectural services and to eliminating regulatory restrictions impeding the participation of Canadian architects in the increasingly important design–build market.

For further information concerning the subject matter contained in these Highlights, please contact:

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